

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 92-233-E - ORDER NO. 92-383
MAY 21, 1992

IN RE: Carolina Power & Light Company -)	ORDER GRANTING
Application for Authority to Issue)	AUTHORITY TO ISSUE
and Sell Additional Securities)	AND SELL ADDITIONAL
(Long-Term Debt and Common Stock).)	SECURITIES (LONG-
)	TERM DEBT AND
)	COMMON STOCK)

This matter comes before the Public Service Commission of South Carolina (the Commission) upon Application of Carolina Power & Light Company (Company), filed on April 28, 1992, requesting authority to issue and sell additional securities in the form of long-term debt and common stock.

FINDINGS OF FACT

1. The Company's correct name and post office address is Carolina Power & Light Company, Post Office Box 1551, Raleigh, North Carolina 27602. The name and post office address of its attorneys are Adrian N. Wilson and Patricia A. Kornegay, Post Office Box 1551, Raleigh, North Carolina 27602. The Company is a corporation organized and existing under the laws of the state of North Carolina, with its principal office at 411 Fayetteville Street, Raleigh, North Carolina, where it is engaged in the business of generating, transmitting, delivering and furnishing electricity to the public for compensation.

2. The Company's capital stock outstanding at March 31, 1992 consisted of Common Stock with a stated value of \$1,622,277,000 and Preferred Stock having a stated value of \$275,818,000. As of March 31, 1992, the retained earnings of the Company were \$1,062,940,000.

The Company's existing long-term debt at March 31, 1992, amounted to principal amounts of \$2,355,428,000 in First Mortgage Bonds and \$474,405,000 in other long-term debt. The First Mortgage Bonds were issued under and pursuant to an Indenture of Trust dated as of May 1, 1940, duly executed by the Company to The Bank of New York (formerly Irving Trust Company), as Corporate Trustee, and Frederick G. Herbst, as Individual Trustee, succeeded by W. T. Cunningham, who presently is acting as Individual Trustee, as supplemented by fifty-four Supplemental Indentures.

3. The Company presently projects that its capital requirements will total approximately \$634 million in 1992 and \$615 million in 1993.

4. Pursuant to the provisions of its Charter and for the purposes hereinafter stated, the Company proposes to issue and sell additional long-term debt in an amount not to exceed \$300 million, up to \$150 million of which could be issued in the form of convertible First Mortgage Bonds.

5. The Company will consider the issuance of First Mortgage Bonds, convertible First Mortgage Bonds, debt instruments sold to European investors ("Eurobonds") or unsecured debt. The Company continuously monitors rates, terms and conditions for alternative forms of debt financing and will determine which type of security

offers the most favorable terms to the Company. In general, the Company will only consider issuing additional long-term debt for refunding purposes when the new issue can be priced at least .5% below the break-even rate of the issue to be refunded and if the refunding yields net present value savings of \$500,000 or more. (Break-even rate includes consideration of call premium and issuance expenses.)

6. The Company proposes to issue additional long-term debt either in discrete financing transactions or pursuant to a continuous offering program ("Secured Medium-Term Note Program"). Under a Secured Medium-Term Note Program, First Mortgage Bonds which will be referred to for marketing purposes as secured medium-term notes would be continuously offered and issued in an amount deemed appropriate and necessary by the Company but in no event exceeding the amount authorized pursuant to the Application. The Secured Medium-Term Note Program, if implemented, would be similar to the secured medium-term note offerings previously authorized by this Commission. The financing will be over some time frame and there is no immediate intent by the Company to issue any of the debt.

7. Convertible First Mortgage Bonds would offer the holders of these bonds the option to convert the bonds into shares of the Company's Common Stock, as contemplated by the terms of the Supplemental Indenture attached to the Company's Application as Exhibit A. The conversion price reflected in the terms of the conversion option is set by the Company's Board of Directors or

Executive Committee at a premium over the market price of the Company's Common Stock at or about the time the Company signs an agreement with respect to the sale of such convertible First Mortgage Bonds. Convertible First Mortgage Bonds may be offered at a substantial discount from their principal amount at maturity and, if so, will bear interest at a fixed rate. Assuming that such bonds are retired at maturity, the effective per annum interest cost to the Company of such bonds, under current market conditions, would be approximately 75 to 125 basis points less than the effective per annum interest cost of First Mortgage Bonds without a conversion option. Current conditions are not suitable for issuance of convertible bonds.

8. In order to have an adequate number of shares of its Common Stock authorized by this Commission for issuance upon a possible conversion of the convertible First Mortgage Bonds, the Company proposes that the Commission authorize and approve the issuance of that number of additional shares of the Company's Common Stock as is necessary to enable the Company to fulfill its obligation to convert the convertible First Mortgage Bonds into Company Common Stock. The Company expects that not more than 2,500,000 additional shares of Common Stock will be needed for this purpose subject to such adjustments as are contemplated by Section 8 of Article IV of the form of Supplemental Indenture to the Company's Mortgage and Deed of Trust filed as Exhibit A attached to the Company's Application.

9. The Company proposes to enter into negotiations with investment bankers or other financial institutions to act as agents, dealers, underwriters, or direct purchasers of either the public or private offering of the First Mortgage Bonds in accordance with the terms of an underwriting or purchase agreement in the case of a discrete financing or a sales agency or distribution agreement in the case of a Secured Medium-Term Note Program in a form similar to that attached to the Company's Application as Exhibit B or Exhibit C, respectively. Both the interest rate and the conversion rate (if applicable) will be determined by the Company at or prior to the sale of the bonds. The Company intends to determine the method of sale and the financial institution(s) which will offer the most favorable terms to the Company.

10. The Company estimates that it will incur expenses, excluding underwriting fees, in the range of approximately \$250,000 in connection with a private placement of debt securities or a public offering of the First Mortgage Bonds. Underwriting fees may vary significantly depending on the terms of the offering.

11. The Company's First Mortgage Bonds will be sold under the provisions of the Company's Mortgage and Deed of Trust dated as of May 1, 1940. The Company has a right to sell additional First Mortgage Bonds of any one or more Series on the basis of property additions, other than funded property as defined in Section 5 of Article 1 of the said Mortgage and Deed of Trust, for a principal

amount not exceeding seventy (70) percentum of the cost or fair value thereof to the Company whichever is less. The Company has sufficient property additions to support the issuance and sale of the First Mortgage Bonds described above for the purposes set forth above.

12. For any First Mortgage Bonds sold, the Company proposes to create, execute and deliver additional Supplemental Indentures to the Mortgage and Deed of Trust dated as of May 1, 1940, to the Bank of New York (formerly Irving Trust Company) and Frederick G. Herbst (W. T. Cunningham, Successor), as Trustees, such additional Supplemental Indentures to be substantially in the form attached to the Company's Application as Exhibit A.

13. The Company has filed a Registration Statement with the Securities and Exchange Commission in connection with any future public issuance of additional long-term debt as described herein.

14. In the period from October 1, 1989 through March 31, 1992, the Company's construction expenditures for additional electric plant facilities totaled \$782,380,000. Attached to the Company's Application as Exhibit D is a statement of such construction expenditures on which the source of funds for the payment thereof is shown.

15. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

16. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with

respect to any provision of this Order in accordance with the law.

CONCLUSIONS OF LAW

From a review and study of the Application, its supporting data and other information in the Commission's files, the Commission finds that the proposed issuance and sale of additional long-term debt of not more than \$300 million, up to \$150 million of which could be issued in the form of convertible First Mortgage Bonds, and the possible issuance of that number of additional shares of Company Common Stock as is necessary to enable the Company to fulfill its obligations to convert any convertible First Mortgage Bonds into Company Common Stock in the event a holder exercises the conversion option:

- (i) Are for a lawful object within the corporate purposes of the Company;
- (ii) Are compatible with the public interest;
- (iii) Are necessary and appropriate for and consistent with the proper performance by the Company of its service to the public as a utility;
- (iv) Will not impair the Company's ability to perform its public service; and
- (v) Are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.

IT IS THEREFORE ORDERED:

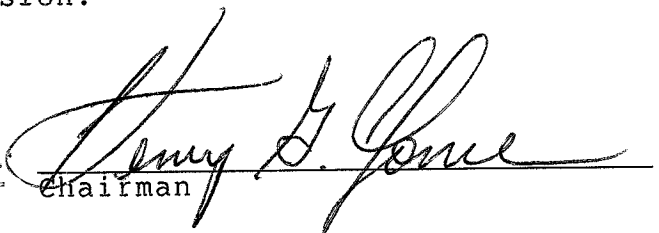
That Carolina Power & Light Company be and hereby is authorized, empowered and permitted to (i) issue and sell additional long-term debt not to exceed \$300 million, up to \$150

million of which could be issued in the form of convertible First Mortgage Bonds, and (ii) issue that number of additional shares of Company Common Stock as is necessary to enable the Company to fulfill its obligations to convert any Convertible First Mortgage Bonds into such Common Stock in the event a holder exercises the conversion option, all pursuant to the terms and conditions described herein, at such times as the Company may deem necessary or advisable, and to execute and deliver such instruments, documents or agreements as shall be necessary or appropriate to effectuate such transaction or transactions.

IT IS FURTHER ORDERED THAT:

1. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.
2. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.
3. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


VICE chairman

ATTEST:


Executive Director

(SEAL)